



24 May 2021

PRODUCTION COMMENCES AT NEW ELK AND FORWARD SALES CONTRACTS AGREED

HIGHLIGHTS

- Coal production commenced in the Blue Seam at the New Elk Mine last Friday, 21 May 2021, with the first production unit.
- Second production unit to be brought forward commencing in August 2021, previously planned for November 2021.
- Small volume supply contract agreed for initial Blue Seam production to a local domestic customer for early June 2021 delivery, which may lead to a small volume, fixed price, long term supply contract.
- M Resources (New Elk's sole marketing and sales agent), has negotiated and agreed commercial terms (subject to documentation), for four 70,000 metric tonne cargoes of Blue Seam to Asian steel mill customers for delivery August, October, November and December 2021, respectively, all shipped ex-Port of Guaymas, on the Pacific Coast of Mexico providing a relatively shorter sail time to Asian markets.
- Purchase and blending of Pratt Seam coal delayed to August 2021 start due to the Black Warrior River closing down from 23 June to 24 July 2021 for river lock maintenance, and blended Blue Pratt Seam sales will now be aligned with the start of the second production unit in the Blue Seam in August 2021 (as noted above).
- M Resources has also received strong interest from global steel mills for Blue Seam supply with multiple requests for drum samples coming from customers in natural markets for US HV coals, which will be sourced and supplied from Mine production over the coming months with a view to index linked, longer term off-take.
- Demand for US coking coal remains strong and is likely to continue to do so while the Chinese Australian political conflict continues, and a recent spike in Australian coking coal prices bodes well for pricing in the medium term.

Allegiance Coal Limited (**Allegiance or the Company**) is pleased to update the market on the commencement of production at the New Elk Mine and its production and sales plans for H2 2022.

New Elk Production

Coal production commenced in the Blue Seam at the New Elk Mine last Friday, 21 May 2021, with the first production unit. Commencement was delayed by three weeks against the Company's target start date due

to delays in obtaining approvals to mine operational plans from Mine Safety and Health Administration, a US Federal Government department tasked with regulating the safety of mining operations in the US (**MSHA**). The delay was due primarily to the impact of COVID on MSHA with the closure its office in Colorado coupled with key staff away on leave. There were no material issues in relation to any of the Mine's operational plans.



The delay did however mean that the Mine could commence production in the knowledge that its first coal sales had been agreed, which they were not three weeks ago.

The forward sale of four Blue Seam cargoes solved a potential timing problem that the Company was facing with the planned closure of the Black Warrior River for one month from 23 June to 24 July 2021, during which the Company was planning to move both Blue Seam coal by rail, and Pratt Seam coal by barge (on the Black Warrior River), to Convent Marine Terminal for blending and sale. The Blue Seam sales allowed the Company to delay the Blue Pratt Seam blending strategy to align with the accelerated commencement of the second production unit in the Blue Seam, presently planned for early August 2021.

Coal Sales

The Company has been in discussion with a local cement company for supply of a low volume of coal to generate heat in the cement plant's kiln. The cement company has previously used Blue Seam coal, acquiring the remnant coal stockpiled at the Mine following the Mine's closure in July 2012.

While this is not the Company's main sales and marketing strategy, the prospect of a fixed price, long term supply contract for small tonnages, does offer a hedge against price volatility on the seaborne market. It also offers a market for any Mine production which is less desirable for the coking coal market, as well as the opportunity to wash a middling product for supply to the cement plant. A trial sample is being supplied to the cement plant from the initial Blue Seam production which may lead to a long term supply contract.

More importantly however, M Resources has negotiated and agreed commercial terms (subject to documentation), for the sale of four, 70,000 metric tonne cargoes of Blue Seam to Asian steel mill customers for delivery August, October, November and December 2021, respectively.

The trade is to reputable customers with coal sold FOB (free-on-board), at the coal terminal in the Port of Guaymas, northwest Mexico, inside the Baja Peninsula and on the Pacific coastline. The port offered a shorter sailing time for the Asian buyers of a US HV coking coal which is typically supplied from the US east coast.

Pricing for these initial trial cargoes was at fixed price levels providing a margin above FOB cash costs for New Elk. The Company is working towards index linked pricing once sampling (including from these trial shipments) have been completed by the potential steel mill customer base.

In that regard, M Resources is in discussion with a European steel mill for a trial cargo of 10,000 to 20,000 metric tonnes of Blue Seam for delivery late August 2021, and has secured multiple requests for drum samples from steel mills globally including the largest blue chip European, Asian and Latin American mills. Samples will be supplied to the steel mills over the coming months from Mine production. The timing of these samples is good in that the steel mills typically plan procurement for their 2022 production in the last quarter of a calendar year.

M Resources recently announced the appointment of Mr. Mike Madden to the M Resources team based in the US. Mr. Madden currently resides in Florida and will provide assistance with US domestic advice and export customer interaction together with the M Resources team. Mr. Madden has represented North Atlantic coal in the global market for over 4 decades, most recently as the Senior Vice President Sales & Marketing and Chief Commercial Officer for Warrior Met Coal - owners of the Blue Creek mines based in Birmingham and exporting out of Mobile terminal Alabama.

In addition to the wider role Mr. Madden will undertake for M Resources, he will drive the marketing effort and execution of sales of not only Blue Pratt blend, but also the blending of other Alabama coals he can secure access to, with New Elk coals.

Authorised for release by Chairman and Managing Director, Mark Gray.

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About Allegiance Coal

Allegiance Coal is a publicly listed (ASX:AHQ) Australian company based in Vancouver, BC Canada, and is focussed on developing and mining metallurgical coal projects in North America and Western Canada. The Company is developing the Tenas metallurgical coal project, located in northwest British Columbia, in partnership with Itochu Corporation. The Tenas Project has a completed definitive feasibility study and is now in the permitting process targeting H2 2022 for the commencement of production. In October 2020, the Company acquired the New Elk coking coal mine, a fully permitted and constructed mine located in southeast Colorado, US, returning the mine to production in May 2021.
